MYSORE (W)

GOVERNMENT OF MADRAS.

Sectt. II-28—50,006—12-6-53.

Edn (1953) Department.

~~Endorsement~~
~~D.O.~~
Memorandum
~~Lodged~~

No. 42152

Dated 8-9-53 195 .

FURTHER PAPERS.

Department.	Number.	Series.	Date.

FOR MYSORE STATE

I/61

4215/53

Extract from the file relating to the recommenda-tion of the Local Finance Enquiry Committee.

... ...

Res.No.96 Ele-Edn. - Fixing of contribution by Local Bodies and meeting of net expenditure by Govt.

This Department suggested -

(i) that this recommendation might be accepted;

(ii) that in case where local bodies have already adopted the maximum rates, steps might be taken by Govt. to fix the amount of contribution payable by each local body from its general account to the elementary education account; and

(iii) that in other cases, the amount of contribution might be fixed after the local body adopts the maximum rates of education tax.

Education and Finance Deptts. are, however, of the opinion that no hard and fast rule can be adopted in this matter and that, if the Ely.Edn. Account works at a deficit and there is in the General Account sufficient balance, there is no reason why additional contributions should not be made to the Elementary Education Account. The sug-gestion to fix the contribution to Ely.Edn.Acct. need not be pressed. But it has to be stated that as pointed out by this Deptt, if the directive principle of State policy contained in Article 45 of the Constitution of India, namely that free and compulsory education should be provided for all children within a period of ten years, is to be carried on, the expansion of elementary edu-cation, especially in non-municipal areas should not be left to the discretion and financial ability of local bodies.

It may be mentioned here that the Government of India have proposed to appoint another Committee to examine the difficulties experienced in the relationship of the State Governments and local bodies in the administra-tion of elementary education.

S.K.11-10-51.
J.S.25-10-51.
H.M.(L.A.)K.C.27-10.
H.M.(E&L)K.M.5-11
H.M.(Fin.) B.G.R.21.11

(In re-circulation to the present Ministry)

x x x

The Committee recommends that the net expre. of a local body under ele.edn. should be the total expre. minus proceeds from the Edn.tax and the contribution which the local body pays to the ele.edn. fund from its general revenues and that the net expre. should be borne by the State Govt. The rate of education tax has to be fixed by the Govt. themselves and the contri-bution which the local body has to make should not exceed the proportion that such contributio now bears to the income of the local body excluding Govt. grants. It is a notorious fact that almost all local bodies have been finding it impossible to finance elementary education and they have been asking for an increased con-tribution from the State funds. Some have gon to the extent of even demanding that the Govt. should take over the entire responsibility of providing elementary education to all school-

age....

children. Section 37 of the Elementary Education Act which makes it obligatory on the Govt. contributing a sum not less than the proceeds of the Elementary Education tax has been twice amended and the present position is that in the case of municipality it gets only a sum equal to 50% of the tax levied while in Dt.Bds. this 50% is further subjected to the limita-tion that if the rate of Education tax exceeds 18 pies in the rupee of the annual rent value of the land, the State Govt. shall contribute only a sum equal to one half of the proceeds due at 18 pies in the rupee. Government's contribution to the E.E.Fund is thus limited although the total contribution may be increasing. It has not kept pace with the increase in expenditure on elementary education met from local bodies' funds. Under Article 45 of the Contitution of India, the State shall endeavour to provide within a period of 10 years from the commencement of the Contitution for free and compulsory edn. for all children until they complete age of 14 years. If our State should fulfill this obligation, we have to face this problem of financing ele.edn. fairly and squarely. If local bodies constitute a suitable agency for carrying out the edl.policy of the Govt. they should be provided with suffi-cient funds to carry out such policy. In my opinion the principle suggested by the Finance Enquiry Committee viz., that the net cost of ele.edn. tax has to be determined after excluding the proceeds from the Ele.Edn. tax and also the contribution payable by the local bodies and met by the State seems reasonable. If more schools should come into existence and the existing schools should be run properly and if the right type of teachers should be employed, elementary edn. funds of local bodies must be strengthened. I suggest that this important matter may be considered carefully by the Cabinet.

S.B.P.Pattabirama Rao.
20-9-53.

x x x

M(R.W.) is of the opinion that the principle suggested by the Local Finance Enquiry Committee namely that the net cost of ele.edn. has to be determined after excluding the proceeds from the ele.edn. tax and the contributions payable by the local bodies and that it should be met by the State Govt. is reasonable. He has suggested that this important matter may be considered carefully by the Cabinet. It is a matter for consideration whether, inview of the present financial stringency, it will be possible for the State Government to undertake a large scale of expenditure on ele.edn. at present. The question may, however, be considered in detail and the matter may be placed before the Cabinet in due course. No alteration need be made to the draft at present.

Yes
C.R
22-12

S.KrishnaSwami Pilli.2-12-52.
J.Sivanandam 4-12-52.
M.L(A) N.Sankara Reddy 4-12-52.
M.Edn.) M.V.Krishna Rao.11-12-52.
M(R.W.) S.B.P.Pattabirama Rao.
13-12-52.
C.M. C.Rajagopalachari.
22-12-52.

The above extracts may be given to Bud.I. for necessary action
/true extract/

Extracts of notes.

Please see the notes on p 1-4 ante and the orders in circulation on p. 5 ante.

The decisions of the Conference on the E.E. Fund of the Dt.Eds. are examined in the top file.

The suggestions at pp 2-3 ante are examined below:-

The recommendations of the Local Finance Enquiry Committee are as follows:-

(1) that after the levy of the Education tax at the maximum rate, the contribution from the Gl. Fund to the E.E.Fund made by a local body should not exceed the proportion that such contribution now bears to the income (excluding Govt. grants) of such local bodies.

and (2) that the net expenditure on elementary education excluding the proceeds of edn.tax and the contribution from the General Funds should be met by the Govt.

Item (1) above:- The recommendation of the Local Finance Enquiry Committee amounts to this. If a Local Body is now contributing a sum of Rs. 1,00,000/- from its General Fund to its Ely.Edn Fund and if the total income under the General Fund of the Local Body excluding the Govt. grants is Rs.50,00,000/- the amount of contribution from the General Fund to the E.E.Fund should be fixed as 1/50th of the income under the General Fund.

The present position is that while framing the budget, the local bodies make some contribution from the General Fund to the E.E.Fund and if there is any deficit in the E.E. Fund, the Govt. direct the local bodies to make an addl. contribution from the Gl.Fund to the E.E. Fund to the extent the General Fund can afford to. If the recommendation of the Local Finance Enquiry Committee is accepted, the contribution from the General Fund to the E.E.Fund cannot be increased even if the Gl.Fund has sufficient surplus balances and the E.E.Fund is indeficit. L.A.Deptt. have stated that there is no reason why the General Fund should not be asked to make an addl.contribution to the E.E.Fund when the E.E.Fund works at a deficit and there are sufficient balances in the General Account of the local body. This Deptt. may agree with L.A. For orders.

Item (2) above:- The recommendation of the Committee is that the entire expenditure on Ely. Edn. excluding the proceeds of Edn.tax and the contribution from the Gl.Fund should be met by the Govt. In support of the recommendation, M(R.W.) has minuted as follows:-

> "Under Article 45 of the Contitution of India the State shall endeavour to provide within a period of 10 years from the commencement of the constitution for free and compulsory education for all children until they complete the age of 14 years. If our State should fulfil this obligation, we have to face this problem of financing elementary education fairly and squarely. If local bodies constitute a suitable agency for carrying out the edl.policy of the Govt. they should be provided with sufficient funds to carry out such policy. In my opinion the principle suggested by the Finance Enquiry Committee viz that the net cost of ely.edn. has to be determined after

excluding the proceeds from the Ely. Edn. tax and also the contribution payable by the local bodies and met by the State seems reasonable.."

The various sources of income under the E.E. Fund of local bodies are

(1) Porceeds of Edn. tax levied as a surcharge on land revenue
(2) Contribution from the Gl.Fund.
(3) Govt.subsidies;
   (a) Contribution under section 37 of the E.E.Act in respect of the Edn. tax realised by the Local Bodies;
   (b) Grants under provisio to section 37 of the E.E.Act for the maintenance of the schools opened prior to and after 1-4-1921;
   (c) Subsidy towards the expre. on the scheme of compulsory ele.education
   (d) Lumpsum subsidy to backward districts for the expansion of elementary education;
   (e) Subsidy towards expre. on payment of D.A. to ele.school teachers.
   (f) subsidy for the opening of schools in school less centres with a population of 1,000 to 2,000.
   (g) Subsidy towards expre. on the construction of buildings for ele.schools.

It will be seen from the above, that excluding the Govt. subsidies the main sources of income under the E.E.Fund of the Local Bodies are only the proceeds of Edn. tax and the contribution from the Gl.Fund. All the Govt. subsidies mentioned above except item (e) above are given in the usual sourse. Subsidy towards the expenditure on payment of D.A. is given subject to the following conditions:-

(i) the General Fund is not in a position to make an addl.contribution towards the deficit in the E.E.Fund;
(ii) the rate of Edn.tax is the maximum;
and (iii) the expenditure under the E.E.Fund cannot be curtailed by any means.

In the case of certain local bodies, the Ely. Edn. budgets work in deficits even after sanctioning all subsidies from Govt. that are admissible. In such cases repayable advances from Govt. are sanctioned to cover the deficits. From the foregoing, it will be seen that the Govt. meet the entire expenditure on ely.edn. excluding the proceeds of Edn. tax and the contribution from the Gl.Fund by way of subsidies referred to above piecemeal instead of paying in a lumpsum. In view of the above no further action seems necessary on the recommendation of the Local Finance Enquiry Committee.

L.A. and Finance may see for remarks.

A.G.M./25-3-53
K.M.U/4.4.

L.A.Deptt.

Please see the notes of Edn. Deptt. from p.7 above. This Deptt. may agree with the view of the Edn.Deptt. at 'B' on p 11 above. The file may be passed on to Edn.

'A' on page 11 above. Where a Dt.Bd. has a deficit in the ele.edn. fund even after levying the Edn. cess at the maximum rate and getting the maximum D.A. grant admissible and avoiding all capital Expre.

the payment of advances by Govt. to cover deficit is not the proper remedy because the dt. bd. will have no capacity to repay the advance. In such cases, special subsidies will have to be paid by Govt. as recommended by the Local Finance Enquiry Committee. Otherwise uneconomic schools should be closed to effect retrenchment in expenditure to the extent necessary to balance the dt.bds. budget.

Finance(Expre.A)

Notes at pp 7-13 above may be perused. In the circumstances stated this deptt. may agree with the views of Edn. at 'B' on p 11 above. As regards the remarks of L.A. with ref. to A. on p 11 above, this deptt. cannot agree to the suggestion that whenever there is a deficit, it should be covered by a special subsidy from the Govt.

The E.E.Fund of a Dt.Bd. may work at a deficit in one year because of some extra expre. incurred in that particular year, while normally it can balance itself and may even work in a surplus. A repayable advance for the year is now worked in deficit would adequately meet the cases.

The principle underlying the grant of repayable advance is also to make local bodies formulate their schemes relating to ely.edn. within the means available (through the various subsidies etc. enumerated on pages 12-13 above) as far as possible and to curb any tendency on their part to incur extravagant expre. expecting the Govt. to come up with special subsidies to cover the deficits.

Special subsidies to cover deficits are of course being sanctioned evenmow in individual cases where it is seen that the local body is really unable to meet the expre from the sources available. It will be sufficient to continue this practice. No charge as suggested by L.A. is necessary.

/true extract/

Extract of notes.

(Previous L.A.note on pp 12-13 ante).

If the policy of granting repayable advances to Dt.Bds. which have a larage deficit every year is to be continued, such advances will have to be sanctioned to the same boards every year with no prospect of repayment. Atleast after 1-10-53 the new State Govts. will have to find a better solution to balance the Ely.Edn. budgets of Dt.Bds.

.....

23-7-53.

Education Deptt(C).

Please see the summarising notes on pp16-18 ante and the notes of L.A.on p 18-19 above. The file relates to the recommendations of the Local Finance Enquiry Committee referred to at 'X' on p 16 ante for stabilising the Ely.Edn. funds of Dt.Bds.

2. At present, when the Ely.Edn. account of a Dt.Bd. closes with a deficit evenafter sanctioning all subsidies to which the Board is eligible, repayable advances are given to the Board to enable it to carryon its administration. The intention in sanctioning such repayable advances is that the Dt.Bd should formulate the schemes in the subsequen years within its means. The recommendation of the Local Finance Enquiry Committee is that the deficit over and above the subsidies admissible should also be met by a special subsidy. L.A.Deptt. support this recommendation. But Finance deptt. are against sanctioning special subsidies to Dt.Bds. on the plea that the Govt. cannot undertake such new commitments in the present state of their finances. L.A.deptt. have now stated that a better solution to balance the Ely.Edn. budgets of Dt. Bds. will have to be found at least after 1-10-53.

3. It may be stated in this connection that in September last, a conference was convened for discussing the ways and means of augmenting the resources of Ely.Edn. Funds of Dt.Boards. Further action on the decisions arrived at in the Confer--ence has been deferred on account of the formatio of the Andhra State.

4. In the circumstances, it is for orders whether further action on the suggestion of L.A.Deptt. on p 19 ante may be taken up after 1-10-53 and necessary extracts of the notes sent to the Andhra Government for action.

5. The file may be circulated to M(Acc.) M(Edn.) M(L.A.) M(R.W.) M(Fin.) and C.M.

D.K/31-7-53.
K.M.U/31-7-53.

The burdgent of the Dt.Bds. will be reduced if the Ele.schools are trans-ferred to the Panchayats. To start with it may be done in all major pts. But this may be taken up after October first.

N.Sankara Reddy.
6-8-53.

M.V.K/5-8-53
SBR./5-8-53.

D.t.o.

C.Rajagopalachari
C.M./17-8-53.
C.Subramanian/11-8-53.

Please see the orders in circulation on page 20 ante.

The file may be recirculated to M(Acc) and M(Edn.) for perusal of the minutes of M(L.A)

A.Govinda Menon,
13-8-53.
K.M.U/14/8/53.

The suggestion by M(LA) is a good one and it may be taken up after 1-10-53.
Shanmuga Rajeswaran,
18/8.

M.V.Krishna Rao
23-8-53.

An extract of the note file may be sent to Andhra and Mysore Governments for further action as they deem fit after 1-10-1953.

A.G.M./27-8

K.M.U./28/8

/true extracts/

Superintendent.

Edn. (2) O.Nt 3620/54
28-8-54
D/8-9-54

RP/.....

To
The Mysore Govt